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RUSSIAN RIVER INCORPORATION FEASIBILITY STUDY

Municipal incorporation - CA - Russian
river

Prepared for the County of Sonoma County
and the Russian River Municipal Advisory Council

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Russian River Incorporation Feasibility Study

A. INTRODUCTION

1. Nature of this study

This report is intended to provide data and analysis concerning the feasibility of incorporating the general area of the Russian River Municipal Advisory Council as a city. As used here, feasibility is concerned with estimated city services, costs and revenues, but not with the local political feasibility or acceptability of incorporation. That is an evaluation that the Municipal Advisory Council (MAC) and local citizens will make after completion of this study.

In gathering the data and developing the city service and revenue proposals in this study, the consultant has had the assistance and input of numerous county, special district and MAC officials. An analysis of incorporation, as one of the alternate forms of local government for the Russian River area, has been desired by the MAC for some time. Jointly, the MAC and the county worked out the desired content of this study, and selected the consultant. The study was financed by the county.

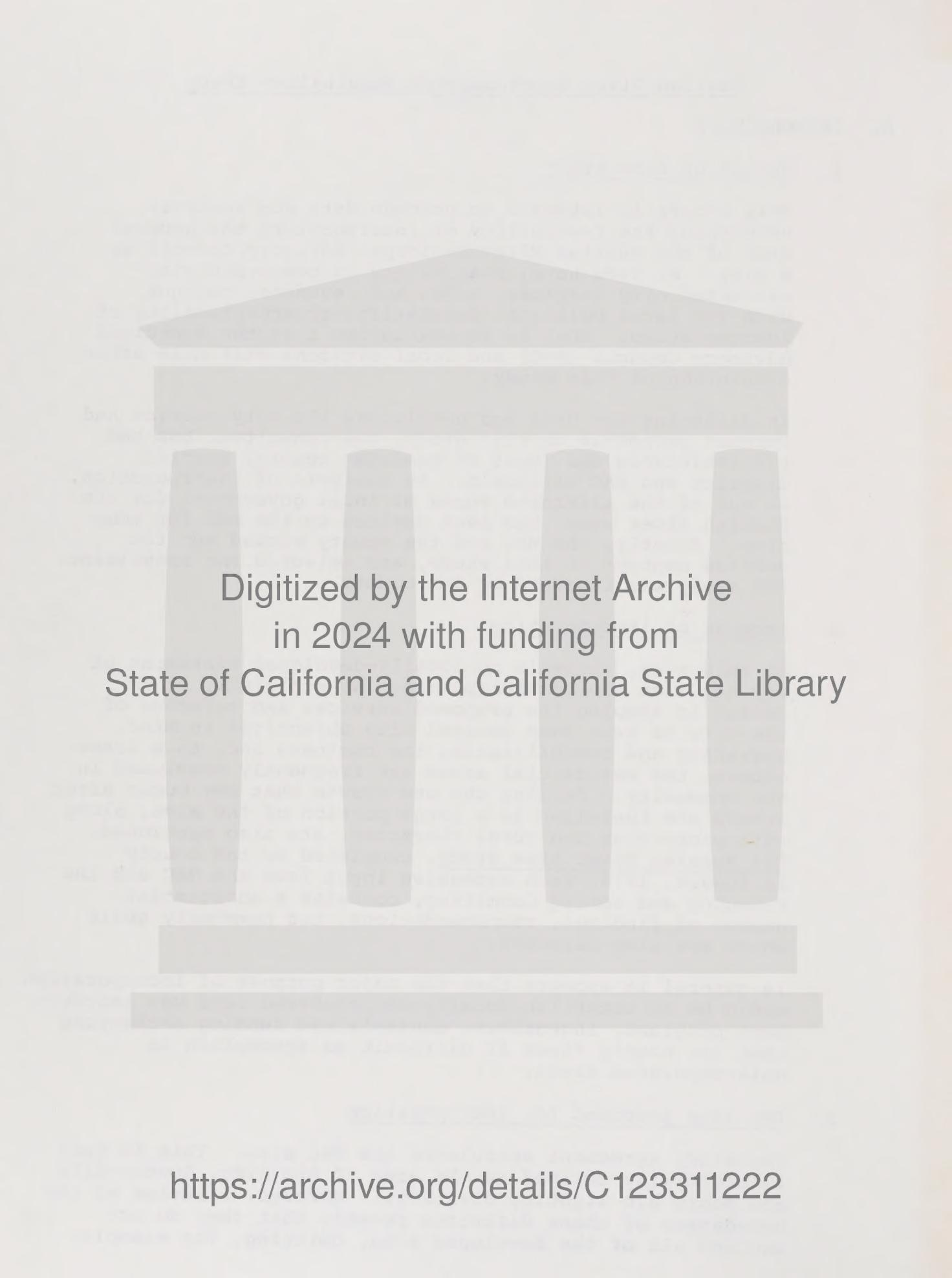
2. Purpose of incorporation

At this time, there is no locally-developed statement of why the area should incorporate. Nevertheless, it is useful in shaping the proposed services and revenues of the city to have some general city objectives in mind. Upgrading and rehabilitating the business and, to a lesser extent, the residential areas are frequently mentioned in the community. Guiding the new growth that may occur after sewers are installed in a large portion of the area, along with preserving the rural character, are also mentioned. The Russian River Area Study, completed by the county in August, 1978, with extensive input from the MAC and the Planning and Zoning Committee, contains a substantial number of findings, recommendations, and community goals which are also relevant.

In general it appears that the major purpose of incorporation would be to establish locally-administered land use improvement programs, incentives, controls and funding mechanisms that the county finds it difficult to accomplish in unincorporated areas.

3. The area proposed for incorporation

The study agreement stipulates the MAC area. This in turn is officially defined as the area of Rio Nido, Guerneville and Monte Rio lighting districts. However, a review of the boundaries of these districts reveals that they do not include all of the developed area, omitting, for example,



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Northwood and the northernmost neighborhood along Old Cazadero Rd. At the same time the district boundaries do include some undeveloped lands. An alternate map, showing the areas already developed or planned for development, has been used in this study. This represents a continuous band of development from Rio Nido to Villa Grande.

A fixed final boundary is not essential for study purposes or for general community consideration of incorporation. If there is subsequent support for incorporation, detailed boundaries will then become necessary to initiate incorporation proceedings. In addition to the MAC area (generally Rio Nido, Guerneville, Guernewood Park, Monte Rio and Villa Grande) that is the base for this study, two optional "add-on" areas are also considered: the Korbel Winery property; and Duncans Mills.

4. Population

Population has become increasingly important to the feasibility of incorporation, because more and more state and federal subventions and grants are on a "per capita", or population, basis, as will be noted in the revenue section. There has been substantial disagreement and uncertainty over local population growth, due largely to the on-going conversion of seasonal housing to housing for permanent residents. This type of population growth is difficult to monitor. Some indicators of population are the following:

a. The census

In 1975 a special census was made of the county. The MAC area constitutes a major part of Census Tract 1537, which had a total population of 10,709. Based on the average household size of 2.25 revealed by this census, plus an estimated 1,400 water connections, the county estimated the November, 1977, population of the area to be sewered at 3,150. The sewered area includes most of Rio Nido, Guerneville and Guernewood Park, including Vacation Beach. A rough allocation, by this study consultant, of the 10,709 population to the MAC area results in a 4,500-5,500 population in 1975.

b. Registered voters

Although the relationship between registered voters and total population varies by community, growth in registered voters usually reflects a proportionate growth in population. Registered voter data for the MAC area are:

<u>Precinct</u>	<u>Location</u>	<u>Registered Voters</u>		
		<u>Jan. 1975</u>	<u>Feb. 1977</u>	<u>Current</u>
5016	Monte Rio, south of river	244	498	440
5017	W. Monte Rio and Duncans Mills	218	263	284
5042	Vacation Beach, and south & east	292	496	573
5043	Guernewood Park	241	390	439

<u>Precinct</u>	<u>Location</u>	<u>Registered Voters</u>		
		<u>Jan. 1975</u>	<u>Feb. 1977</u>	<u>Current</u>
5044	NW Guerneville	276	479	476
5052	Northwood & North Monte Rio	187	311	315
50572	NE Guerneville & N. Rio Nido	349	529	593
		1,807	2,966	3,120

¹This precinct divides into 178 in W. Monte Rio (Villa Grande) and 106 in Duncans Mills. This division was not available for the earlier years.

²Prior to 1978 this was Precinct 4019.

Thus in 3-1/2 years the number of registered voters has increased over 72%. Obviously, the 1975-77 increase resulted from interest in the 1976 elections, which included an intensive voter registration drive. Population increase during that period must have been much less. To what extent population increase over the entire 3-1/2 years may be less than the voter increase is not clear, though to some extent this appears to have occurred.

To establish the official population of a new city for purpose of state and federal per capita aid, state law says it shall be three times the number of registered voters until the results of the next census (which will be in 1982). Three times 1,807 is 5,421, matching the high 1975 census estimate made above. For official purposes the current figure should be adjusted downward to reflect the fact Precinct 5042 extends somewhat outside the proposed city boundaries, and also to separate out the Duncans Mills voters. Thus:

	<u>Registerd Voters</u>		<u>Official Population</u>
Base area	3,000	x3	9,000
Duncans Mills	106	x3	318
	3,106		9,318

The 9,000 figure for the base area could be higher than actual population, not only because the proportion of the total population that is registered may be higher than it was, but also because a 72% increase in population in 3-1/2 years seems improbable. Nevertheless, this study will tentatively use the figure of 9,000. Even if it is high, the recent rate of registered voter growth and the earlier population growth trends indicate that by the time incorporation occurs, actual population will probably surpass this figure. Almost certainly by 1982 it will be surpassed, avoiding any decrease in official population and related revenues.

B. Plan of City Services

1. Introduction

Incorporated status means the city must take over, from the

county, responsibility for police protection¹, roads and control of development (planning, zoning, subdividing, building inspection, etc.), and also provide a "general government" function including City Council, offices, etc. A city can also provide a variety of other services, if it chooses, and with local voter approval, replace existing special districts in providing certain services. How, and at what level, the city provides any of the above services is a city decision. For example, it could contract with the county Sheriff to provide police protection, instead of establishing its own department.

2. General Government, including control of development

a. Council

A general law city (any city is a general law city unless, after incorporation, it adopts a charter) has a five-member council elected at large. As an alternative, it may have a five, seven, or nine-member council elected by district, with each district having nearly equal population. The seven precincts noted earlier are too dissimilar in population for this purpose, but they are indicative of what might be done under a district approach to a city. This alternative could be considered by the new city after incorporation. If it is desired from the outset, it can be stipulated, along with the district boundaries, in the incorporation petition or application.

Each year the council elects one of its members to serve as mayor, unless provision is made for a separately-elected mayor. Either way, the mayor does not have any special powers, except in charter cities where the charter so provides:

b. Staff Organization

Among the ways the top staff can be organized, it is recommended the Council-Manager System be used. Under this system the council elects a city manager and delegates to him full responsibility for carrying out city policies and supervising day-to-day activities, that is, for administering city government. He has authority to hire and fire all employees, though this is usually done in consultation with the Council and, in the case of the Planning Director, the Planning Commission. The manager's obvious powers are balanced

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It also assumes responsibility for traffic patrol from the California Highway Patrol, which patrols unincorporated area roads, and freeways, only.

by the Council's right to fire him at any time. This system is recommended because the purpose of incorporation will require a full-time professional skilled in securing and administering grants, coordinating city and private efforts, dealing with all other agencies, and the like.

Two units under the manager are recommended, one for general city offices and one for housing and community development. The general unit would be headed by the manager, who would also have the title City Clerk*, and would include two clerical positions, possibly supplemented by CETA workers. The development unit would be headed by a planner experienced in upgrading. He or she might also serve as assistant city manager, and would be directly responsible, under the manager, for planning, development approval, building inspection, code compliance, and working out the upgrading program. The City Planning Commission would also work with the planner and the Council on many of these matters. Staffing would include a building inspector, a clerical position, and possible CETA workers. While building inspection could be part-time or contracted, the present workload plus the code compliance and upgrading program anticipated after incorporation suggest a full-time position. If the workload exceeds that, additional inspection services can be financed from the additional fee revenues.

- * To accomplish this the incorporation petition/application should stipulate the Clerk and Treasurer are to be appointed, not elected. The manager of a local bank could serve as Treasurer at little or no cost.

c. General Plan

Soon after incorporation, work should be commenced on a General Plan. Such a plan is required by state law within 18 months after incorporation, and is a pre-requisite to certain grant programs noted later. The Russian River Area Study can provide valuable input into the general plan, though it does not cover the Northwood-Monte Rio-Villa Grande area, for which new data and citizen input would have to be developed. A general plan must include nine mandatory elements, one of which is housing. Given the purpose of incorporation, the general plan is likely to emphasize housing and resort upgrading, and the use of state and federal grants. If done by professional consultants, the cost of plan preparation is estimated at \$50,000-\$70,000, which could come out of initial partial-year city revenue surpluses.

d. Code Compliance

As used here, this phrase includes not only the correction of existing housing deficiencies, but also the enforcement of a variety of city measures to upgrade the area and eliminate nuisances. Thus, it would involve not only the building inspector, but other city staff as well. The following are illustrative:

- Structural Upgrading - A sensitive city program could progressively abate the worst structures, resulting in either correction or replacement. With housing, emphasis should be on safety, rather than on "bringing everything up to code", in order not to price many local residents out of the market. As noted later, state and federal grants and loans are available to upgrade structures.
- Nuisances - Old vehicles and other junk along streets and in front yards are eyesores that are in conflict with the area's character. Similarly the overnight occupancy of vans along streets and in other public areas presents nuisance and potential health problems. These and similar nuisances can be easily and quickly abated by ordinance, and a firm enforcement program.
- Sign Control - The county has a good program for new signs, but no way to handle pre-existing non-conforming signs. The city could do this with an ordinance abating inexpensive signs immediately and phasing out other signs over a period of time related to their cost.
- Building/Zoning Violations - This is a lengthy process. Business licenses will make it possible to check out home occupations and deal with any violations. There are numerous non-conforming uses in the area (the Area Study cities residences in commercial areas, multi-family units in single-family areas, and commercial uses in residential areas) which can be identified in a detailed survey, and then dealt with in whatever way seems most effective and equitable. Many cities now have non-conforming use ordinances which phase out such uses over some reasonable amortization period.
- Licensing and Regulation of Resorts and Camp Grounds - Though the state sets standards for, and inspects, trailer parks and camp grounds (this function could be delegated to a county or city), a city business license ordinance and upgrading program could be applied to them. The Russian River Area Study lists, for the area to be sewered, 14 private resorts and camping areas. The master plan for the Russian River Recreation and Park District, covering generally the same area, lists 5 "camping or trailer parks," 10 tent camping areas, and 6 resorts.

The Monte Rio Recreation and Park District master plan list 8 private resort recreation lands. In addition to these nearly 30 places providing overnight accommodations, the area's recreation/resort economy includes about 12 commercial recreation establishments (beaches, golf, stables, amusement centers, bowling, theater, etc.), as well as the several public beaches and parks.

e. Estimated annual costs for general city government, including all the above

Manager	\$ 30,000
3 Clerks	30,000
Planner	22,000
Building Inspector (full-time)	<u>16,000</u>
	98,000

Fringe benefits for above at 17%	16,660
Council expenses	1,000
Telephone	2,000
Postage	1,500
Office supplies	3,000
Mileage	1,000
Rent	6,000
Memberships and conferences	2,000
Equipment Rental	2,000
Legal ads	500
Office equipment	2,000
City attorney retainer	12,000
Liability insurance	15,000
Elections	1,000
Promotion	10,000
Miscellaneous	5,000
	<u>\$178,660</u>

Notes:

1. Much initial city office and other equipment can be purchased out of surplus first partial-year revenues. The amount of these will depend on the timing of incorporation, but assuming it is between July and December, by the next July 1, when the city actually takes over the service responsibilities and costs from the county for roads, Sheriff's protection, etc. these revenues should total at least \$300,000 and could be as much as \$500,000. This occurs because most of the city revenues estimated elsewhere start coming soon after incorporation.
2. Rent is based on normal office space requirements. Other arrangements, such as use of the Veterans Building, are possible.
3. City attorney is a part-time job, involving somewhat more work soon after incorporation than in the longer run.

3. Roads

a. Maintenance

According to the county, there are 58.19 miles of county roads in the basic area. These would become city road responsibilities after incorporation. Highway 116 would remain a state responsibility. During 1977-78 the county spent \$135,222 maintaining these roads, or about \$2,300 per mile. This figure may have been higher than average, due to the wet weather.

County officials feel the main roads in the area are in good shape. They also plan to repair and seal-coat many of the other roads as part of the sewer project, prior to any city incorporation. Thus road maintenance should not be a costly problem after incorporation. The city could do its own road maintenance, or contract from the county or private firms. The county maintenance yard for this area is in Guerneville, arguing in favor of a county contract. On the other hand, the city may want to directly control maintenance through its own staff. The county has also stated it would be willing to contract for special repair projects, in particular in re-building of pilings/retaining walls under many sections of road in the steep areas, for which the county has developed specialized equipment and techniques. Whichever alternative is selected, it is assumed annual costs will be about the same, or \$135,000. Additional road mileage in the Korbel and Duncans Mills areas total about one mile each, or an additional \$2,300.

Below is an estimate of how a city department would be organized and budgeted.

Foreman	\$ 15,000
3 maintenance men	<u>33,000</u>
	48,000
Fringes at 18%	8,640
Equipment operation	5,000
Small tools	1,000
Maintenance materials	9,000
Liability Insurance	3,000
Equipment acquisition-deprec.	10,000
County contract:	
Engineering, including general city engineering	15,000
Bridge maintenance	5,000
Striping, traffic and street signs, etc.	8,000
Special road repairs/services	18,000
Corporation yard services (at county yard--storage, equipment maintenance/repair)	<u>5,000</u>
	\$135,640

It is likely such a department could also utilize

several CETA workers for a variety of tasks.

b. Improvements

The county has no specific needs/projects planned for the area. Though many local roads are extremely narrow and windy, there is no plan to improve them. The most likely need is the continuing repair and replacement of the deteriorating or washed-out pilings/retaining walls noted above. For this the county suggests setting aside \$50,000 a year in the city budget. Because the \$85,000 in TDA funds and the \$5,000 in federal grants noted later must be spent on improvements, a total of \$90,000 is set aside here. It could include pathways, commercial area improvements, engineering, etc., in addition to the item just noted. The repair of any major storm damage to local roads would be largely reimbursed by the state. Though a portion of the gas tax must also be spent on improvements, it is assumed some of the above maintenance expenditures can be reclassified as minor improvements. In addition, about every six years the city would receive a federal grant of \$200,000 for a major project.

c. Street sweeping

Streets in the study area are not swept at present. MAC has asked the feasibility of sweeping the commercial area streets regularly. A conventional city street sweeper costs a substantial amount to acquire, and needs a trained man for operation and maintenance. In this area it would also have to travel long distances from one commercial center to another. Thus a conventional approach appears uneconomical. In addition the City of Sebastopol was asked about renting its sweeper and operator, and responded that the travel distance is prohibitive.

The alternative appears to be to contract with a private sweeping company. The one contacted in Santa Rosa does Healdsburg's sweeping by contract, and also handles at least one parking lot in Guerneville. For streets it uses a one-ton Ford with a vacuum/sweeper mounted on the back. This company gives a very preliminary estimate of \$6-\$8 per linear curb-mile. The area to be swept has not yet been established. Assuming it is 5 curb-miles (2-1/2 miles, both sides of the street), this would be \$40 per sweeping. Assuming once-a-week sweeping nine months, and twice-a-week three months, the annual bill would be about \$2,000. This is not included in the budget.

4. Police Protection

a. A contract with the Sheriff

The Sheriff tentatively estimates the personnel it would take to continue the level of police protection now provided would be:

Chief
Lieutenant
2 Sergeants
4 Deputies
Detective
Dispatcher
4/10 identification position
4/10 clerk position

This would provide one deputy during the day and evening shifts, and a two-man patrol at night, though because the Sheriff uses 10-hour overlapping shifts there would be two men available at selected other times. Annual costs, assuming deputies at the top pay step, and including fringe benefits, overtime, vehicle expense, administrative overhead and indirect costs, would be \$340,000-\$360,000 if contracted from the Sheriff.

It should be emphasized this is a preliminary estimate, and can be refined after further discussion between the MAC and the Sheriff. The service includes taking over traffic patrol and traffic accident reporting from the California Highway Patrol, which does not patrol streets within cities except for freeways.

An advantage of contracting with the Sheriff is that the sub-station is in the center of the area, which means that even though the sub-station covers almost the whole west county area, officers would tend to be in or close to the city area anyway.

b. The alternative of a city police department

1) Background

If incorporation is actively pursued, the MAC should meet with the Sheriff to work out, more precisely than has been possible at this time in this report, what police services the community wants under a contract and what it would cost. There is no fixed level of police protection for cities, and there is a wide range of officers per thousand population, and hence of per capita costs. In general the level of service and costs are higher in more urban areas and lower in more rural areas.

A major determinant of police workload is "calls for service", which include all the things police respond to: crimes in process; reports of suspicious activity; public disturbances; family and neighborhood incidents; reports of petty thefts and burglaries; non-criminal emergencies, etc. Their seriousness (whether they require immediate response, whether by one man or two, and for how long), their total number, and their timing (during the day, week and year) determine the staffing that must be available to adequately respond. Rough estimates by the Sheriff of the number of calls for service in the MAC area are substantially below those in most cities. If possible, as incorporation is pursued, the type, volume and pattern of calls for service in the area should be determined and analyzed for their workload implications. This can assist in deciding the minimum local force needed, either via Sheriff's contract or a separate city department.

Some new cities have contracted with the Sheriff for a year or two, then set up their own department. Thus the latter is not necessarily an alternative to the former, but could be its long-term successor, with the contract viewed as an interim arrangement. It is obvious the Sheriff is capable of providing more specialized services (some of these, such as the crime lab, are available to any city) and more back-up than a small city department. Recent experience around the state has shown that Sheriff's contracts are not necessarily less expensive. Most Sheriff's departments have relatively higher overhead and personnel costs than smaller cities. This results from the wide variety of other departmental responsibilities and the organizational structure, both of which do not focus strictly on patrolling to the extent a small city, with a "working" chief, can.

2) Tentative city department

Three cities were reviewed in preparing these estimates: 1) Sebastopol, with 11 officers; 2) Moraga, a city of 20,000 population which currently contracts with the Sheriff in Contra Costa County and is about to establish its own 12-officer department; and 3) Rohnert Park, which has a Public Safety Department combining police and fire protection. It has 18,000 population and the equivalent of 20 officers. Police and other city employees are used as fire volunteers, with patrolmen trained and equipped to make the first response to a fire from their patrol vehicles. Without establishing a Public Safety Department this could be done in the proposed city through cooperation with the two fire districts, if desired.

A basic city department of 11 officers is estimated, with the budget as follows:

Chief	\$20,000
3 Sergeants (\$17,000 each)	51,000
7 Officers (\$16,000 each)	<u>112,000</u>
	183,000
Fringe benefits at 20%	36,600
Overtime	5,000
Communications (see below)	20,000
Vehicle expense and depreciation	16,000
Telephone	2,000
Office supplies	2,500
Special supplies	3,000
Training	3,000
Rent and utilities	6,000
Liability insurance	10,000
Miscellaneous	<u>10,000</u>
Sub-total	297,100
Supplemental forces (see below)	<u>41,750</u>
Total	\$338,850

Alternative supplement forces includes the following:
1) the addition of an eighth officer for relief;
2) the development of a police reserve of about 10 officers, which could provide the second man in a patrol car at many times, as well as extra forces for special events and peak days of the year; 3) the use of police aides or cadets to handle parking regulation, animal control, paper work, the response to "cold" calls for service, such as petty thefts, that should nevertheless be investigated, etc. Cadets are frequently part-time, being also college students, while aides are often paid by CETA or other grant funds or may even be volunteers; and 4) about four extra summer patrol officers, on foot if desired. Without these supplements the basic department will probably run up overtime pay approaching the costs of the supplements, and may still occasionally be undermanned.

The cost of reserve officers is estimated at about \$500 annually each, plus training costs. The state now requires that police reserves be fully certificated, which includes 440 hours, that is, 12 weeks, of POST training, which can be provided in Santa Rosa. If the reserves have to be paid to take such training, this would be a one-time cost as high as \$3,000 per officer. A rough estimate of the annual costs of these supplemental alternatives is:

Eighth officer	\$25,000
Police reserve	12,000
Aides/cadets (2)	22,000
Summer patrolmen (4)	25,000

If the city used all of these, the total costs would be \$84,000. A cost-effective mix might be the reserves, one aide/cadet, and a three-man summer patrol, for a total cost of \$41,750.

As to police communications, that is, dispatching, with a separate department (under the Sheriff contract alternative, this would be provided by the Sheriff) a separate dispatching staff of four or five would be under-utilized and costly in the MAC area. There are several possible alternatives, none of them definite at this time: 1) a communications contract with the Sheriff. This can probably be worked out, and depends on a number of technical and policy questions; 2) a contract or sharing with the Forestville Fire District, which has an around-the clock dispatching staff. This appears feasible, with the city paying for one or two additional clerks, depending on the added workload, except that in the wake of Prop. 13 Forestville is not sure it will continue its dispatching unit; 3) a joint dispatching center between the city and the Guerneville and Monte Rio fire districts. This would depend on many factors; and 4) the proposed county communications center. The county is hiring a communications specialist to develop some kind of county-wide system, probably within two years. In counties with such a system, city police departments and other local agencies can plug into it for dispatching at minimal costs, a few thousand dollars. As a result of the above, a best guess of dispatching costs for a city department is \$20,000.

Animal control is a service Sonoma County does not provide within cities, a part of the reason being lack of an adequate animal shelter. As noted above, animal control can be handled as part of the duties of a local police department staff. It is a small item except for, at least at this time, the lack of shelter space for impounded animals.

3) Manning table

One of several ways the basic department could be deployed is shown below. On the chart, S-1, S-2, S-3 = Sergeant; A, B, C, D, E, F, G = Patrol Officer.

Shifts	Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.
<u>Days</u> 8 am-4pm	S-1	Chief	Chief	Chief	Chief	Chief	S-1
	B	B	A	A	A	A	A
	E	E			B	B	B
	G	G					E
<u>Evenings</u> 4 pm-mid-nite	S-2	S-1	S-1	S-2	S-2	S-2	S-2
	C	C			C	C	C
			F	F	F	F	F
<u>Nights</u> Midnite-8 am	S-3	S-3			S-3	S-3	S-3
	D	D			D	D	D
			E	E			
			G	G			

5. Total Annual City Costs

General government	\$178,660
Roads	
Maintenance	135,640
Improvements	90,000
Police	
a. Sheriff contract	350,000
b. Local department	338,850
	<u> </u>
Total	743,150 - 754,300

C. City Revenues

1. The effects of Prop. 13

At the moment there is no provision for a new taxing agency to share in the 1% property tax. The current legislation distributes these revenues within each county according to each agency's relative share of the property tax over the past three years. The state surplus "bail-out" funds are distributed to cities in much the same way. All this legislation is good only for this year. One can imagine several ways for establishing a new agency's share in the 1% pot, but at the moment none is in the hopper in Sacramento. Various schemes for the permanent division of the 1% are under discussion, including one which would deprive cities, and possibly districts, of any share. As noted in the later discussion of dissolving districts, there is also no provision for a city to inherit their property tax share, though this would be easy to work out and will be essential if city formations and annexations are to continue in a framework where cities and districts continue to receive property tax revenue.

If current legislation is changed to permit a new city to share in the county-wide 1% property tax, the city's assessed value might be one determinant of how much it should receive. The assessed value of the three lighting districts is \$16,270,000; that of the two recreation districts is \$18,089,000; that of the two fire districts is \$22,874,000; and that of the sanitation district is \$11,583,000. The city boundaries are larger than the lighting districts, slightly larger than the recreation districts, and smaller than the fire districts. Therefore, the incorporation area is estimated to have a \$20,000,000 assessed value. If the area had been incorporated and levying a tax rate of \$1.00 during recent years, this would have produced \$200,000 annually in revenues, which after Prop. 13 would have been reduced to about \$90,000.

Assuming the population was 8,000 at the time the assessed value was set, this means the MAC area's assessed value per capita is \$2,500. By comparison, the county-wide average assessed value per capita for cities is \$4,241, and ranges from a low of \$2,741 in Cloverdale to a high of \$5,142 in Healdsburg.

Since it is not entirely certain a City of Russian River could balance its budget without either a share in the property tax or substitute revenues, and since it is possible these issues will not be settled at the state level in the near future, it is suggested that in considering incorporation, local citizens consider the desirability and acceptability of the following types of substitute revenues, which are, in effect, new local taxes:

(It should be kept in mind that, with Prop. 13, there is no way incorporation can increase property taxes, as was formerly the case)

- For police protection, a benefit assessment based on the size of each building.
- For fire protection, same as police.
- For street maintenance, lighting, sweeping, and sidewalk and street tree maintenance, a service charge annually per type of building (e.g., single-family, apartment, mobile home, commercial use by size).
- For lighting only, a benefit assessment based on the front footage of each parcel lighted.
- For park maintenance, a maintenance charge spread annually to each parcel of land within the park's service area, and for recreation a monthly fee per house.

While the above, taken as a whole, may seem excessive, two things should be noted: 1) Compared to the property tax, many people feel these substitutes are a more equitable way of paying for the relevant services; and 2) Unless the state comes up with more funding than it has, serious curtailments of the present park and recreation, lighting, and possibly fire protection programs are likely unless such substitutes are used. In short, they may occur without incorporation, and are inevitable under some assumptions about the future.

2. Annual Revenues

a. Transient occupancy, or hotel-motel, tax

This may be levied on lodging bills by counties in the unincorporated area, and by cities. Sonoma County is using a 6% tax rate, and reports collections in the MAC area during 1977-78 of \$29,076. Due to increasing occupancy rates and rising lodging bills, this revenue has been generally increasing in the county. In the wake of Prop. 13, many counties and cities went to an 8% rate. Assuming the proposed city did this, the first-year revenue is estimated at \$40,000. Depending on the success of subsequent upgrading efforts, it could become a much more significant city revenue.

b. Franchises

These apply to the gross receipts of PG&E and any other utilities using city rights-of-way. At an estimated \$2 per capita (slightly below average because gas is not provided), the annual amount would be \$18,000.

c. Business license tax

A city may or may not adopt such a tax, which can serve either regulatory or revenue purposes, or both. The tax can be a flat amount per business, can vary with the type and size of business, and can place a high tax on nuisance activities in order to regulate them. In the MAC area this might include street salesmen and temporary sales outlets. The tax applies not only to local firms, but also to outsiders (building sub-contractors, housing repair, delivery services, etc.) doing business in town. However, enforcement is often a time-consuming chore.

Assuming the city would adopt such a tax, primarily to regulate nuisances, revenues are estimated at \$10,000. This is based on an estimate of over 200 local firms at a base \$30, a somewhat larger tax for larger businesses, and some revenue from outside firms.

d. Fines

According to the records of the branch court at Guerneville, during 1977-78 it collected \$9,355 in traffic fines. Though most were for violations within the proposed city area, the court covers a larger area, so some were outside. On the other hand, local violations by non-residents are often cited into the Santa Rosa court, rather than Guerneville.

Under new state law, cities will apparently receive 60% of traffic and other fines for violations within the particular city, with the other 40% retained by the county to defray court administrative costs. Assuming that after incorporation fines within the City will continue at the 1977-78 level, and that this was about \$9,300, city fine revenue would be \$5,600. However, this should increase to at least \$10,000 with city traffic patrolling. It should be noted that Fish and Game fines in this area run nearly as high as traffic fines, but after incorporation they continue to go to the county.

e. Licenses and permits

This includes building permits and street encroachment fees, as well as animal, bike and other minor items. Building permit revenues are running about \$13,000 under the county, and encroachment fees at least \$6,000. Total revenues from these items are thus estimated at \$20,000.

f. Real property transfer, or documentary stamp, tax

This tax of \$1.10 per thousand dollars value of property for transfer of title now goes to the county, and after

incorporation would be split 50-50 with the city. Based on comparative data, and allowing for a modest decrease due to the possibility Prop. 13 will slow down property sales, city revenues from this source are estimated at \$10,000.

g. Mobile home fees

The state trailer coach fee is rebated back to local governments, with the city within which the home/trailer is located receiving one-third. The fee is based on 2% of supposed market value. Average values in the state are upward of \$15,000. Assuming in the river area they are \$6,000, the average fee would be \$120, of which the city would receive \$40. The 1975 census indicated about 90 trailers in the area, which would mean \$3,600 in city revenue.

h. Federal revenue-sharing

This program is expected to last indefinitely. The funds can be used for virtually any city activity. A city's share is based on its population, its tax effort (the more local taxes raised, the better), and local personal income (the lower, the better). The average received by all California cities last year was \$12.50 per capita. The most recent comparable personal income data are from the 1970 census, as follows:

	<u>Family Income</u>	<u>Unrelated Individuals</u>
California	\$10,732	\$3,221
Sonoma County	9,673	2,300
Census Tract 1537*	7,213	1,715

*The river area constitutes about half this tract.

The 1975 census indicates a continuation of this relationship, with a relative increase in the incomes of unrelated individuals in Tract 1537. Thus by this measure the MAC area would receive an above-average per capita allocation. Tax effort includes such discretionary local taxes as sales and hotel-motel taxes, business licenses, franchises, permits and fines. It does not include city revenues from other agencies, such as the state gas tax and motor vehicle licenses. It is unclear at this time how Prop. 13 will affect tax effort.

Assuming the advantage of the area's low incomes, and the disadvantage of its probable low tax effort, will about balance, this report projects that the river area's revenue-sharing will be at the state average, \$12.50 per capita, or a total \$112,500 annually.

i. Transportation Development Act (TDA)

This program distributes the revenues from a portion of the state sales tax related to gasoline, and has become increasingly important to cities. The funds go back to counties and cities on a population basis, but with a requirement that any public transit systems serving the jurisdiction receive a negotiated portion. The Metropolitan Transportation Commission, covering the nine bay area counties, administers the program in this area.

Currently no public transit serves the MAC area, so the city would receive its entire per capita allocation, subject to conditions noted below. Currently the per capita allocation is \$12.71, so the city would receive \$114,390, which it would have to use for street or other transit purposes. However, the county plans to initiate transit service between Monte Rio and Santa Rosa within the next year or so. The local public agency costs for this service, above federal grant funds, will be about \$70,000 annually. The city would be expected to share in this cost, using a portion of its TDA funds, in proportion to the city area's share of the service. A rough estimate is slightly under one-third of the total, or \$20,000. In its five-year plan, the county also expects to start a bus feeder service in the river area for the elderly and handicapped. Local public costs are not known, but a very rough estimate of the city's share is \$10,000. Thus it is estimated that the TDA funds the city will receive for its own use will be \$85,000 annually. How this is used involves roughly the following process: 1) Application to MTC, which holds a hearing in the county (it hears the other local applicants at the same time) to determine there are no unmet transit needs in the community that can reasonably be met; 2) The city may then use the funds, according to the approved application, for a variety of street and other transportation improvement projects: road construction or resurfacing; signals; pedestrian and bike paths (a small amount of additional funds is also available for this purpose); etc. The amount of these funds received cannot exceed 50% of the city's total street budget, though this can be balanced out over a multi-year period. This requirement should not cause difficulty in the proposed city, judging from the road budget set forth elsewhere.

j. Sales tax

The state estimates MAC area sales tax revenues at \$135,870 during the next year. This revenue currently goes to the county, and upon incorporation would go to the city.

k. Liquor license fees

The state estimates these state-collected revenues at \$9,731. They would also switch from the county to the city.

l. Cigarette tax

The state estimates this at \$26,152, also switching from county to city.

m. Motor vehicle "in lieu" tax

This is the city share of the annual vehicle license fees. It amounts to \$13.24 per capita, or \$119,160.

n. Gas tax

These are the city shares of the gas tax, which must be spent on streets:

- Sec. 2106 is \$5.61 per capita, plus \$4,800, or \$55,290, and a portion must be spent on street improvements.
- Sec. 2107 is \$4.48 per capita, plus \$2,000, or \$42,320.

o. Highway carriers tax

This is a small share of the state tax, \$.131 per capita or \$1,179.

p. Road grants

The federal "safer off-system" grant program is currently distributed in Sonoma County by a formula that would give the proposed city about \$5,000 annually, earmarked for road improvements.

Total revenues without a property tax or other special city taxes, and without uncertain state and federal grants, thus total as follows:

Hotel/motel	\$ 40,000
Franchises	18,000
Business license	10,000
Fines	10,000*
Permits	20,000
Property transfer	10,000
Trailer fees	3,600
Federal revenue-sharing	112,500
Transportation Dev. Act	85,000*
Sales tax	135,870
Liquor licenses	9,731
Cigarette tax	26,152
Vehicle licenses	119,160
Gas tax	97,610*
Highway carriers	1,179
Road grants	5,000*

Interest and miscellaneous	15,000
	<u>718,807</u>

*These must be used for street, traffic safety and pathway purposes only, and total \$197,610.

D. Incorporation Feasibility

Annual city expenditures were estimated at \$743,150-\$754,300, depending on which police alternative is used. The service program and expenditures represent an adequate city program, but do not provide city funds for upgrading public or private facilities. Such financing would have to come from federal, state and private sources, which are described in a later section.

Annual city revenues, assuming no property taxes or other new taxes, except for a modest increase in the hotel-motel tax, were estimated at \$718,807. The city would also have initial funds, described later, adequate to take care of "startup" costs and leave a reserve of \$200,000. If necessary the city could adopt certain new local revenues described under Prop. 13. It could also increase building permit fees or business licenses, or adopt a construction or bedroom tax on new dwellings and other buildings, as many cities have done. It is also likely new cities will be given some share in the post - Prop. 13 property tax or "bail out" program.

Thus incorporation should be considered financially feasible, if it is assumed local citizens and the future City Council will be satisfied with the "no-frills" approach set forth in this report. Compared to previous studies, there are several reasons why the financial aspects of municipal status have improved:

- The post - Prop. 13 spirit of austerity, which makes a "back-to-basics" organization of governmental activities more feasible and acceptable.
- The fact local roads are, or soon will be, in relatively good shape, and no major new road projects are planned or desired.
- The apparent relative decline in police problems.
- The growth in population, which has increased many per capita city revenues without increasing costs to the same extent.
- Changes in the revenue structure for cities, which has added such major revenues as federal revenue-sharing, transportation grants and the hotel-motel tax, and has increased motor vehicle license fees.
- Increases in taxable local sales.

This report also considered including either of two areas, the Korbel Winery and Duncans Mills, in the city boundaries. While separate service/cost/revenue plans for each were not developed, there are apparently no particular advantages or disadvantages in including or excluding either area. Added costs and revenues are slight for either area, with the possible exception of the sales tax at Korbel. The sales tax estimate from the state includes both areas, and it was not possible to obtain an estimate excluding both areas, because the difference would indicate the volume of sales at Korbel. This would violate state confidentiality rules. If possible, the Korbel sales tax amount should be obtained from the winery.

As set forth in the introduction to this study, the question of financial feasibility is only one part of the overall feasibility and desirability of incorporation. MAC and local citizens will also be considering the political feasibility of incorporation, that is, local public attitudes, the nature of community and likely city leadership, the effect of incorporation on county and special district relationships, and the extent to which a city can actually meet the needs and expectations of the community.

E. Federal and State Grant and Financial Assistance Programs

1. General

Cities are eligible for, and regularly participate in, a number of federal and state programs above those few included above under annual revenues. Eligibility is frequently affected by measures of need, such as low incomes, unemployment, and sub-standard housing. Some programs are focused on the potential for economic development. Because of its socio-economic characteristics, the river area will be a prime candidate for many of these programs. The earlier discussion of revenue-sharing documented the area's relatively low incomes. An additional statistic from the 1970 census showed that 21.9% of the families in Census Tract 1537 had incomes below the poverty level, compared to 10.4% county-wide. That census also showed the following unemployment rates:

	<u>Tract 1537</u>	<u>County</u>
Males	10.0%	7.2%
Females	12.6	7.6

Housing data are more difficult to derive from the census, and additional information would have to be developed in a local survey after incorporation. The 1970 census did show the following:

	<u>Tract 1537</u>	<u>County</u>
Median value of single-family units	\$15,300	\$20,900
Percentage of units built before 1939	34%	27%

Below is a brief description of major grant and financial assistance programs. The MAC area is already eligible for, and is participating in, some of them. Thus a key question is to what extent incorporation will increase the area's eligibility. A second major consideration is that these programs fluctuate in the amounts available, and some may also, from time to time, be terminated. Care should therefore be taken that the city not become dependent on them for essential funding, or locked into continuing a program at city expense after the state/federal funding has been reduced or cut off. This can happen with programs that prove popular, or that develop a significant local clientele group. To the extent possible, programs should therefore be designed to be "one-shot" or temporary, rather than continuing. Still another consideration is that some state/federal programs furnish funds to acquire and develop parks, community centers, etc., but do not provide money to maintain and operate them, which can become a heavy long-term burden.

Thus it is suggested all these programs be approached with the attitude many of them can be tied into various aspects of a community upgrading effort. The upgrading plan should not be fully dependent on their availability, but should include some proposed projects tailored to particular grant programs. These could be either essential projects that the city could and would otherwise fund itself, or optional projects to be undertaken only if the grants are available. A comprehensive upgrading plan, relating a variety of projects and grant programs to overall objectives, would not only be useful in itself, but would also enhance the eligibility of the various projects for which state/federal funding is sought. The ability of city to put together and implement such a plan may, in fact, be a principal advantage of incorporation over the present uncoordinated situation.

2. Housing and Community Development Act (HCDA)

HCDA's general purpose is to improve housing and neighborhood conditions in low and moderate income areas with housing deficiencies. The entitlement "block" grants under this program go to cities of over 50,000 population and to "urban" counties, that is, counties whose population, including participating cities, exceeds 200,000. Because Santa Rosa participates directly, its population is subtracted, leaving the rest of the county with less than 200,000. The 1980 census is expected to show the rest of the county with over 200,000, so that when the official results are known in 1981-2 the county will become an "entitlement" county. This would guarantee the county a fixed block grant each year which, according to current formulas, would be around \$2,000,000. A city-county committee would distribute the grant to cities, the county, and other eligible entities.

At present the county receives around \$500,000 a year, but this is not guaranteed and instead is awarded through a competitive rating process. For the most part these funds, along with other housing grants and loans, are channeled into housing programs (both rehabilitation and land subsidies for the construction of low/moderate priced housing) in six "target neighborhoods", one of which is the MAC area. This year MAC is receiving \$47,200 for rehabilitation, via the "small cities" program within HCDA. As an unincorporated community, any grants to the river area must come through the county.

As a city, the area could apply directly for the "small cities" grants, as well as discretionary block grants the county doesn't go after. (A "block" grant is one that can be used for a range of purposes, instead of just one). This year Cotati was awarded \$450,000 for downtown renewal, in this case improvements to downtown streets, sidewalks, drainage and landscaping. It will seek an additional \$500,000 next year. Other cities have received grants for sewer and water supply improvements and community centers (as unincorporated Occidental did, through the county). These public facility grants are seen as helping target areas by facilitating economic, as well as housing, development. Because housing deficiencies are the most rapidly growing problem, housing programs, rather than public facilities, may be given a higher priority for grants in the future.

HCDA grants may be related to other grant and loan programs, both from HUD (the Department of Housing and Urban Development, which administers HCDA) and from other federal and state agencies. For example, an HCDA grant can provide the "local match" for such other grants as those of the Economic Development Administration (EDA), which require the community to contribute a certain proportion of total project costs. (It should be noted also that projects the city would undertake on its own, such as the road improvements budgeted in this report, can often be counted as "local match"). HCDA public facility improvement projects can be tied in with CETA employees performing various clean-up tasks in the same neighborhood, such as removal of litter or exterior house painting. Other HUD programs include grant and subsidized loan programs covering housing construction and rehabilitation, and rents, both for low/moderate income groups and for senior citizens.

3. Comprehensive Employment and Training Act (CETA)

This program, intended to employ and train unemployed persons, was recently modified and reduced in funding, and further reductions are talked about in Washington. Nevertheless, it is and will continue to be a useful means of financing temporary or entry-level city employees. (It has been difficult for the local agencies now in the MAC area to utilize CETA). The federal government pays the total costs of this program, including employee salaries (which now must

average \$7,200 and cannot exceed \$10,000), fringe benefits and administrative costs. There is some city discretion in whom is employed.

Within Sonoma County, CETA funds, or "job slots", are allocated annually by the county CETA office, based on applications from cities and other agencies. The proposed city, providing it develops a satisfactory proposed utilization of the employees, could expect from five to ten CETA positions. There are two major classifications: 1) the largest is public service employment which is transitional---theoretically taking the employee from trainee status to a regular job (either with the city or some other agency) in 18 months; and 2) special projects, where employment is limited to one year. A new city normally has a number of places where CETA employees can be useful:

- Neighborhood and downtown clean-up, as discussed under HCDA.
- Surveys of land use, housing and road conditions, etc.
- Office assistance and data research.
- Parking regulation, animal control, and similar duties.
- Trainees or aides in police, fire, communications, road and park maintenance, planning, building inspection, recreation, etc.

The current \$7,200 average salary requirement (it was previously \$10,000) appears to restrict CETA to beginning clerical, maintenance, and recreation jobs.

4. Other Programs

There are a number of other programs that might have a place in a comprehensive city plan. The EDA makes a variety of public facility grants and loans, as well as small business grants, focused on economic development. It distributed a large amount of "anti-recession" public works project funds to local agencies during the past two years. Though this program has now expired, it could be renewed in the event of another recession. There was wide discretion in use of the funds, and many local agencies used them for projects tied in with economic or housing upgrading. It is said that some years ago EDA turned down a conventional economic development grant application in the MAC area due to the flooding problem. With construction of Warm Springs Dam and other recent developments, it is possible this obstacle might be overcome. At the same time, incidentally, there is discussion of folding the EDA program into HCDA.

The Farmers Home Administration, in addition to making rural housing improvement and self-help or cooperative housing loans in this general area, also will make grants and loans for complete planning/public facilities/housing "packages". This was done in Windsor, an unincorporated community. The Small Business Administration makes subsidized loans to businesses for various purposes, including commercial rehabilitation. It would also make loan funds available to a local

development corporation to rehabilitate stores and buildings. In fact, to utilize these HCDA and other grant programs, a city (or a county) could form a housing and economic development corporation, which could develop projects, act as a partner in grant-assisted private projects, apply for and distribute grants and loans for housing and commercial construction and rehabilitation, and operate housing rehabilitation programs, including training and assistance to owners in upgrading their own houses. An advantage of this approach is that it could bring together, in one agency, the handling of state/federal grant programs for housing and economic development.

There is a state Office of Economic Development, funded by EDA, which can advise and financially assist local programs. There is also the California Housing Finance Agency, which makes low-interest loans for housing purchase or rehabilitation. Within Sonoma County, in addition to the HCDA and CETA offices which distribute those funds, there is Sonoma County People for Economic Opportunity, the successor to the earlier community action agencies under the "war on poverty" program. Though that program is now called the Community Services Administration at the federal level, and is no longer heavily funded, the Sonoma County unit also serves as a conduit for HCDA and other grants, and is involved in housing "weatherization" projects as well as social services to various groups.

In the area of traffic and road grants, the state Office of Traffic Safety would probably finance a city traffic enforcement program (i.e., the costs of an officer and equipment) specifically directed at reducing accidents, on a temporary and experimental basis. Federal Aid Urban (FAU) road grants are now distributed in Sonoma County in such a way that the proposed city could expect \$200,000-\$250,000 every six years for a major improvement project. Utility companies pay monies into an undergrounding fund, the division of which in this county favors incorporated areas. This would be a way to assist the financing of undergrounding utility lines in the MAC commercial areas.

Although the federal "Safe Streets" criminal justice grant program is being cut back, small cities still receive occasional grants, such as the current one to Sebastopol to finance a youth specialist on a trial basis.

F. The Timing of Incorporation and Initial City Costs/revenue

The law states that, upon incorporation, the county shall continue to provide all services furnished prior to incorporation, until the end of the fiscal year during which incorporation takes place. At the same time, the city is entitled to most of the city revenues starting soon after incorporation. Since the fiscal year is July 1-June 30, there are obvious advantages in timing incorporation for just after July 1, if possible, but in any case during the first half of the fiscal year. This means the new city will be accumulating revenues at the same time that it has few service responsibilities and costs. It also gives the city

several months to prepare to take over full service responsibility the next July 1.

Incorporation elections must be held on one of a number of regular election dates established by the Legislature. These are generally in May and November of each year, with additional dates earlier in the Spring that vary with even and odd numbered years. It takes about a week after the incorporation election for the incorporation to become official. However, during the incorporation process, either Lafco or the county can set a later date as the "effective" date of incorporation. Thus an election held in May or even earlier could stipulate the effective date of incorporation as July 1. In that connection, the entire incorporation process, from initial notice to Lafco to the election, takes 10-14 months.

Assuming the effective date of incorporation is around October 1 (in other words, that the city will have 3/4 of a year before it takes over), during that period it would accumulate about \$343,000 in revenues. During this period city expenditures might be:

Acquire office furniture and equipment	\$10,000
Acquire police vehicles and other equipment (if city establishes own department)	25,000
Initial legal services	15,000
General plan	60,000
(could extend beyond this period; total costs shown here)	
Initial city staffing	<u>45,000</u>
	\$155,000

Thus, by the next July 1, when the city starts its first regular year, it should have reserves on hand of at least \$200,000.

G. Impact of Incorporation on Sonoma County

Incorporation means a transfer, from the county to a municipality, of responsibility for, and control over, police protection, roads, general planning and development and housing regulation. What the county has been providing under these services, and what they cost, were generally described in the Plan of City Services section. That section also set forth a potential city Housing and Community Development program which would include some of these present county functions, but go beyond them in terms of community upgrading, to be financed largely by state and federal assistance and private enterprise. This is not to imply the county has not made efforts along these lines (such as the present HCDA rehabilitation grant to the MAC), but only that it is not feasible to establish present county, or future city, costs for them.

Aside from the direct transfer of services, costs and revenues (the city revenue section set forth those local revenues the county would lose), there are hard-to-measure impacts that result from the fact a large county service area---the entire river or west county area---will have an important part of its center

removed. How will this affect the efficiencies of county Sheriff's patrolling, road maintenance, and development services in the remaining area? How will it affect county area-wide land use, transportation and other planning? Discussions with the responsible county operating officials during this study have not revealed any perceived adverse impacts. If anything, advantages are seen in having responsibility for these local services and planning activities handled at the local level. There seems to be an assumption that the proposed city and the county would have a common interest in dovetailing and meshing their respective programs in and near the area, avoiding potential conflicts and inefficiencies. There is also an assumption county operations and staffing in the area would not be significantly disrupted. In summary, while there obviously will be impacts resulting from the change in jurisdiction, it is not anticipated that they will be adverse.

To summarize the reductions in county costs and revenues from other sections of this report:

Reduced costs

Planning/development processing/building inspection	\$ 20,000
Roads	185,000
Police protection*	<u>350,000</u>
	\$555,000

*This is high. It is the Sheriff's estimate of the costs of a city unit to continue the present level of protection, including California Highway Patrol services.

Reduced revenues

Hotel-motel tax	\$ 29,076
Franchises	18,000
Fines	5,600
Licenses and permits	20,000
Transfer tax	10,000
Mobile home fees	3,600
Revenue-sharing	(possible)
TDA	85,000
Sales tax	135,870
Liquor licenses	9,731
Cigarette tax	26,152
Miscellaneous	<u>10,000</u>
	\$353,029

The above pattern is typical of most incorporations. The exceptions, where the impact is a net county loss, occur only where there are unusually large sales or hotel-motel tax revenues. This pattern should not be taken to demonstrate unincorporated areas do not pay their own way, or, for that matter, that they do not generate enough revenues to support themselves. It is principally the result of the local governmental tax/service structure in California,

which does two things that are relevant here: 1) It mandates that counties provide certain services to the unincorporated areas, simply as a general county responsibility, without providing a revenue structure necessarily designed to finance those services; and 2) It provides incorporated areas with new revenues they did not generate for the county when unincorporated. These include a higher hotel-motel tax, business licenses, federal revenue-sharing, and the city share (taken from other cities, not the county) of the gas tax and vehicle license fees. In the MAC area these total about \$350,000. When added to the revenues transferred from the county, the total is over \$700,000, compared to the reduction in (or transfer to the city of) county costs of \$555,000 or less. This surplus of \$145,000 goes, in the city budget set forth in this report, to defray the added general government costs--- costs the county did not have or lose---of operating a city.

H. Special Districts

According to the study contract, which was formulated prior to the passage of Prop. 13, this report is to include consideration of consolidating the park and recreation, and lighting, districts with the city, as well as direct city payment to the fire districts for fire protection. Prop. 13 has radically affected the feasibility of these options.

1. The districts generally

Of the special districts in the area, those potentially affected by incorporation¹ are:

- a. Fire protection. The Guerneville and Monte Rio fire districts serve the area. Both are independent districts with elected boards. The law provides that if a city contains at least 70% of the territory of a district, the district can, with voter approval, be converted into a "subsidiary" district, run by the city. It appears both districts, particularly Monte Rio, are too large for this, although if desired the proposed city boundaries could be drawn large enough to make it possible.

Another option is for the city, rather than individual taxpayers, to pay the fire district tax for the city area. The main purpose of this was to add to the city's "tax effort" and therefore gain a larger share of federal revenue-sharing. Prop. 13 appears to have eliminated this possibility, since there is no longer a fire district tax as such, but only a single county-wide 1% rate which all taxing agencies share.

In addition to the two districts, the California Division of Forestry (CDF) protects this area in terms of wildland fires. The law currently excludes the

¹ The school district, resource conservation district, and any regional districts are not affected.

the territory of a city from this responsibility, so that after incorporation the CDF would no longer respond to fires within the city free of charge. It is recommended the MAC seek clarification of this situation, including possible amendment of the law.

b. Parks and recreation. The Russian River and Monte Rio recreation and park districts serve the area, though the southwestern portion of the MAC area is outside either district. Both are independent districts with elected boards. Concerning the "subsidiary" option, the comments above pertain. Though these districts, particularly Monte Rio, are smaller than the fire districts, it is not clear the city would contain 70% of their territory.

Another option would be to simply dissolve the two districts and have the city assume their responsibilities. This could be done with the approval of either the two district boards or the voters.² Prop. 13 has also left this momentarily up in the air, since there is no provision for a new agency to inherit the property tax revenue entitlements of existing agencies that are dissolved.

c. Street lighting. The Rio Nido, Guerneville and Monte Rio districts serve most of the area. They are governed by the county, and appear small enough to be made subsidiary districts, or could be dissolved and taken over by the city except for the Prop. 13 problem.

d. Sanitation.

The Russian River County Sanitation District covers the area to be sewered and will be the vehicle for financing and installing the sanitation system. It is governed by the county, but if incorporation takes place the city would automatically appoint two Council members to the district's new three-member board, the third being a county Supervisor. However, the county plans to replace the district with County Service Area #23 as soon as the system is installed. The reason is that taxes paid to a sanitation district are not subject to the homeowners and business inventory tax exemption and state reimbursement, while those paid to a county service area are. The taxes in question are those to retire the district bonded debt, and are not subject to Prop. 13.

²

Dissolution of the fire districts is also possible, but the largest possible boundaries are desirable for this service.

The county operates sewer plants and systems in a number of areas, and has the specialized personnel and equipment for this job. Therefore, although either the district or service area could be merged with the city, it is recommended county operation continue, unless some special advantage of merger appears.

2. The impact of Prop. 13.

a. Lighting districts

1977-78 and 1978-79 budget data compare as follows:

	<u>Guerneville</u>	<u>Monte Rio</u>	<u>Rio Nido</u>
<u>1977-78</u>			
Property tax revenue	\$44,621	\$24,211	\$13,311
Expenditures	45,392	22,700	12,030
<u>1978-79</u>			
Property tax revenue	18,544	10,064	5,378
Other revenues & reserves	28,080	15,436	9,802
Expenditures	46,624	25,500	15,180

Other revenues are very small, and in 1978-79 the three districts virtually exhausted their reserves in order not to reduce the lighting program. Next year, either substitute revenues for the lost property tax must be found or the number of street lights reduced about 60%.

3. Recreation and park districts

	<u>Monte Rio</u>	<u>Russian River</u>
<u>1977-78</u>		
Property tax revenue	\$30,758	\$42,579
Expenditures	40,476	64,171
<u>1978-79</u>		
Property tax revenue	14,259	23,012
Other revenues & reserves	25,495	40,433
Expenditures	39,754	63,445

For these two districts the effects of Prop. 13, though serious, are not as severe as for lighting. This is because "other revenues" are proportionately larger and because a large part of the expenditures are for capital projects which could be eliminated in the future. Nevertheless, both districts have reduced their operational programs and have depleted their reserves.

For the time being, consolidation should not be considered. Not only do these districts have problems the city would inherit, but at the moment the city would not even receive the reduced property taxes the districts are receiving. Within the next year or two, the current uncertainties will be cleared up one way or the other, and at that time the MAC

area can consider what the best alternative is. Apart from that, the following discussion may be useful.

With parks and recreation, potential advantages of city merger include combined planning, staffing and equipment, and an enhanced eligibility for state and federal park grants. With lighting there is little advantage, since the main function is levying taxes to pay PG&E to provide and operate the lights. City merger would mean the improvement of the lighting system would be more closely coordinated with community development.

With fire protection, the larger the area protected, the better. Unlike the other services considered in this report, fire protection is not solely an "urban" service, but is important to rural areas also. In addition, fire agencies, particularly if they are volunteer, desire a certain autonomy. There should, in any case, be close cooperation between the districts and the city in terms of fire prevention, approval of development applications, etc. The one instance that might make city-district merger advisable would be if the final results of Prop. 13 implementation leave a city in a better position than a district to finance fire protection.

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